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Economic Conditions
Governmental Finance
United States Securities

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The Kaiser's War Council.

THE story which Mr. Morgenthau, the American Ambassador at Constantinople, has told in the June number of the "World's Work," of the German War Council at Potsdam on July 5, 1914, as he received it from Baron Wangenheim, the German Ambassador at Constantinople, agrees with the Lichnowsky story of which an abstract was given in these columns recently, and other accounts of the preparations for war with which Germany was busy while the rest of the world was ignorant of the impending calamity.

It is very important that the civilized world shall fully understand the complete hollowness of the German plea of self-defense, and the duplicity with which the Emperor after preparing the mine with a time fuse, went off for a trip on his yacht, to be taken by surprise when the explosion occurred.

Baron Wangenheim disappeared from Constantinople soon after the assassination of the Grand Duke and Duchess at Sarajevo, and after the declaration of war told Ambassador Morgenthau of the momentous conference which he had attended. Mr. Morgenthau says:

"This meeting took place at Potsdam on July 5th. The Kaiser presided; nearly all the ambassadors attended; Wangenheim came to tell of Turkey and enlighten his associates on the situation in Constantinople. Moltke, then Chief of Staff, was there, representing the army, and Admiral von Tirpitz spoke for the navy. The great bankers, railroad directors, and the captains of German industry, all of whom were as necessary to German war preparations as the army itself, also attended.

"Wangenheim now told me that the Kaiser solemnly put the question to each man in turn. Was he ready for war? All replied 'Yes' except the financiers. They said that they must have two weeks to sell their foreign securities and to make loans. At that time few people had looked upon the Sarajevo tragedy as something that was likely to cause war. This conference took all precautions that no such suspicion should be aroused. It decided to give the bankers time to readjust their finances for the coming war, and then the several members went quietly back to their work or started on vacations. The Kaiser went to Norway on his yacht, von Bethmann-Hollweg left for a rest, and Wangenheim returned to Constantinople.

"In telling me about this conference, Wangenheim, of course, admitted that Germany had precipitated the war. I think that he was rather proud of the whole performance; proud that Germany had gone about the matter in so methodical and farseeing a way; especially proud that he himself had been invited to participate in so momentous a gathering. The several blue, red, and yellow books which flooded Europe the few months following the outbreak, and the hundreds of documents which were issued by German propaganda attempting to establish Germany's innocence, never made any impression on me. For my conclusions as to the responsibility are not based on suspicions or belief or the study of circumstancial data. I do not have to reason or argue about the matter. I know. The conspiracy that has caused this greatest of human tragedies was hatched by the Kaiser and his imperial crew at this Potsdam conference of July 5, 1914. One of the chief participants, flushed with his triumph at the apparent success of the plot, told me the details with his own mouth. Whenever I hear people arguing about the responsibility for this war or read the clumsy and lying excuses put forth by Germany, I simply recall the burly figure of Wangenheim as he appeared that August afternoon, puffing away at a huge black cigar, and giving me his account of this historic meeting. Why waste any time discussing the matter after that?

"This Imperial Conference took place July 5th; the Serbian ultimatum was sent on July 22nd. This is just about the two weeks' interval which the financiers had demanded to complete their plans. All the great stock exchanges of the world show that the German bankers profitably used this interval. Their records disclose that stocks were being sold in large quantities and that prices declined rapidly. At that time the markets were somewhat puzzled at this movement; Wangenheim's explanation clears up any doubts that may still remain. Germany was changing her securities into cash, for war purposes. If any one wishes to verify Wangenheim, I would suggest that he examine the quotations of the New York stock market for these two historic weeks. He will find that there were astonishing slumps in quotations, especially on the stocks that had an international market. Between July 5th and July 22nd, Union Pacific dropped from 155½ to 127½, Baltimore and Ohio from 91½ to 81, United States Steel from 61 to 50½, Canadian Pacific from 194 to 185½ and Northern Pacific from 111¼ to 108."

Dr. Muhlon's Revelations.

Dr. Wilhelm Muhlon, at the outbreak of the war a director of the great Krupps company, whose story of his discovery that war was impending was given here with the Lichnowsky abstract a few months ago, has given out a further statement in Switzerland, where he is now living. One feature of it is a vindication of Belgium from any complicity in bringing on the war or knowledge that it was impending. He tells of the guns which Krupps had made for Belgium, and which were ready for delivery before the war, but at the request of Belgium were not delivered. He says:

"Belgium drew virtually all her war material from Germany. and depended upon us for models and manufacture. Thus 28-centimeter guns for fortifying Antwerp had been ordered and were ready for delivery. The earthworks at Antwerp, however, were not sufficiently advanced and Belgium asked us to keep them, and shortly before the war even offered to pay storage on the guns if they were kept until it was convenient to accept them. The guns, therefore, were held, and when the war broke the Prussian War Minister took possession of these valuable cannon and turned them to his own uses."

The Crops.

Reports come from trustworthy sources of serious damage to crops in Nebraska and the southwest by intense heat during the last week of June. Wheat fortunately was so far advanced as to suffer least, and the authorities, placing the highest estimate on damage, still count on the winter crop for 600,000,000 bushels. Conditions in the spring wheat states are good, except in western North Dakota and

parts of Montana. Oats and corn in the first-named territory have been hurt, but in other states still have good promise. The Canadian crops are in good condition. The minor field and garden crops are doing well and this is true generally of fruit, although in some sections the severe winter did considerable damage to fruit trees.

General Business Conditions.

Government control over the industries is rapidly extending. The War Industries Board has laid the country off into twenty districts for the purpose of making an intensive study of industrial capacity and of utilizing and converting existing industries for war work. Another Government organization, recently formed under the Department of Labor, known as the United States Employment Service, has divided the country into thirteen districts, and after August 1st will have general supervision over the distribution of labor, apportioning the floating supply and regulating the movement. The object is to reduce the enormous turnover which lowers efficiency, and to put a check upon competitive bidding. It is evident that there must be some restraint upon the latter where the Government is the principal purchaser, but it is a very delicate matter to attempt to place restrictions upon individual bargaining, particularly when conditions are favorable to the wage-earners.

The volume of general trade is undiminished, although the actual turnover of goods is possibly less than a year ago, but merchants complain of increasing difficulty in replenishing stocks, and manufacturers whose products do not entitle them to priority orders have increasing difficulty in getting materials. Looking to the future it is evident that trade in non-essentials will dwindle because the goods cannot be had. The earnings of the wage-working population are still rising, by reason of full time, the employment of women and higher wages, and this insures a heavy trade in the unrestricted lines.

All of which answers the fears of the people who are still afraid that a reduction of accustomed expenditures by the public will bring on a state of unemployment and business prostration. The mandatory curtailment of the industries is far outdoing voluntary action.

The steel industry is under practically complete control, all distribution of product being subject to supervision, and Government authority or direction is extending in all lines. Manufacturers are co-operating to reduce the number of styles and varieties of products. Thus in agricultural implements, tools, and stoves the number which must be carried in stock is materially reduced. The number of styles of shoes and of varieties of paint is much reduced, and this policy is generally pursued. The distribution of coal is under strict regulation and investigation will be made of power plants to determine whether they are operated with proper economy.

A strike in the New Bedford cotton mills was averted last month by a wage increase of 17½ per cent. Wages there are now 80½ per cent. above the rates prevailing on January 1, 1915. The last general wage increase in the steel industry went into effect on April 15 last and was 15 per cent. Two increases of 10 per cent. each were made in 1917 and three of 10 each in 1916.

The Money Market.

The money market passed through the month of June and the heavy tax payments with little of the strain at one time anticipated, thus repeating the familiar experience that troubles which are forseen are seldom realized. Interest rates are practically unchanged.

The arrangements made by the Treasury were such as to avert any immediate embarrassment from the transfer of funds, all checks received by the collectors being deposited to the credit of the Treasury in the banks upon which they were drawn. This reduced the problem wholly to one of credit—a question of whether the taxpayers could obtain the accommodations they required and of the extent to which bank credits would be swollen. A call for 20 per cent. of the tax-funds has been made on the New York banks, payable July 2 and 3.

Although only 25 per cent. of the subscriptions upon the Third loan are yet due, 78 per cent., or $3,235,000,000 had been paid to June 27. The Treasury statements are apparently behind time in their figures of receipts of income and excess profits taxes, which for the fiscal year to June 27 were reported at $2,115,722,204, of which $1,588,363,798 were paid in June and $342,104,796 in May. As the total of these taxes to June 30 is estimated at about $3,000,000,000, it may be assumed that, owing to congestion in Treasury offices, daily statements have not caught up with receipts. If collections correspond approximately to estimates, total payments to the end of the month upon the Third loan and for income and excess profits taxes must have been close to $6,000,000,000.

These payments, however, were not all made in May and June, having been largely anticipated by the sale of Treasury certificates. About $4,500,000,000 of certificates receivable upon subscriptions to the Third loan or for the taxes were issued, of which all but $1,068,000,000 have fallen due and presumably have been retired. Of the latter, $551,000,000 are due July 9, and $517,000,000 July 18. The extent to which these certificates were actually used in payments for bonds and taxes does not appear, but in the case of $831,000,000 of the tax certificates sold in the

New York district, $468,000,000 remaining in the banks were redeemed in cash. It will be seen the Treasury had to a very great extent received and expended the proceeds of the loan and of the taxes in advance. The certificates were used to great advantage in spreading the payments over a period of nearly six months.

Banking Conditions.

In order to measure the full expansion of bank credit in connection with payments on the Third loan and for the income and excess profits taxes, it is necessary to go back to about the first of the year, when the issue of Treasury certificates in anticipation of these payments began. The expansion of credit by the Federal Reserve banks is shown by these figures:

	Dec. 29, 1917	June 28, 1918
Bill holdings	$956,072,000	$1,086,023,000
Government securities	107,333,000	259,066,000
Other earning assets	1,005,000	23,000
Total earning assets	$1,064,410,000	$1,345,112,000
Increase		$280,702,000

The member banks reporting to the Federal Reserve Board, although only 695 in number, have more demand deposits than all of the national banks, but these compilations are not exactly comparable because the number of banks included has been increased. Their holdings of Government securities, including certificates of indebtedness, and of all other loans and investments on December 28, 1917, and June 21, 1918, were as follows:

	Dec. 28 630 Banks	June 21 695 Banks
U. S. Securities owned	$ 891,626,000	$ 1,582,211,000
Loans secured by U. S. bonds and certificates	388,268,000	511,789,000
All other loans and investments	9,574,047,000	10,328,617,000
Total	$10,853,941,000	$12,422,617,000
Increase		$1,568,676,000

The increase of loans and United States securities in Federal Reserve banks and reporting member banks between the dates named aggregates $1,849,378,000, but this showing is subject to important qualifications.

In the first place, allowance must be made for the fact that there are 65 additional banks in the member bank statement for June 21. It is probable, however, that these are not of the larger banks, and do not greatly alter the figures.

The most important allowance to be made is for the fact that following June 21 the amount of outstanding Treasury certificates was largely reduced by tax payments and redemptions.

Furthermore, the Treasury statement for June 27 shows available cash in the general fund, $1,614,606,652, against $823,000,000 on December 30, 1917, an increase of $791,606,652. This is not very much as disbursements are running, but it is a part of the proceeds of the financing under review, and may be considered as offsetting Treasury certificates outstanding.

If we disregard Treasury cash and bank holdings of certificates, and take account only of the increased loans and discounts of reserve and member banks, the net expansion of credit by these institutions is approximately $1,000,000,000.

Member Banks.

The increase of loans and United States securities in the member banks of the Federal Reserve system, by districts, since last December is indicated by the following statement, compiled from reports to the Federal Reserve Board. Although these include for December only 630 banks and for June 695 banks, they are banks located in the central reserve, reserve, and other large cities, and include probably 85 per cent. of the business of member banks in the system:

RESERVE DISTRICT.	Dec. 28	June 21
Boston, number of banks	36	42
U. S. Securities owned	$ 28,426,000	50,559,000
Loans on U. S. Securities	44,142,000	54,875,000
All other loans and investments	659,419,000	789,694,000
New York, number of banks	96	98
U. S. Securities owned	435,214,000	848,749,000
Loans on U. S. Securities	227,962,000	274,128,000
All other loans and investments	4,179,107,000	4,203,253,000
Philadelphia, number of banks	44	49
U. S. Securities owned	28,021,000	64,806,000
Loans on U. S. Securities	25,226,000	38,793,000
All other loans and investments	552,974,000	639,317,000
Cleveland, number of banks	73	83
U. S. Securities owned	113,475,000	128,741,000
Loans on U. S. Securities	21,125,000	44,390,000
All other loans and investments	902,768,000	959,756,000
Richmond, number of banks	64	71
U. S. Securities owned	38,408,000	60,560,000
Loans on U. S. Securities	10,152,000	17,446,000
All other loans and investments	292,396,000	351,200,000
Atlanta, number of banks	35	35
U. S. Securities owned	32,877,000	45,792,000
Loans on U. S. Securities	2,271,000	5,989,000
All other loans and investments	268,854,000	244,425,000
Chicago, number of banks	85	95
U. S. Securities owned	64,321,000	128,076,000
Loans secured by U. S. Bonds	34,673,000	38,631,000
All other loans and investments	1,509,687,000	1,380,273,000
St. Louis, number of banks	31	32
U. S. Securities owned	33,272,000	58,363,000
Loans on U. S. Securities	8,897,000	14,733,000
All other loans and investments	150,671,000	381,885,000
Minneapolis, number of banks	18	30
U. S. Securities owned	10,148,000	24,805,000
Loans on U. S. Securities	1,305,000	4,745,000
All other loans and investments	216,870,000	232,671,000
Kansas City, number of banks	68	72
U. S. Securities owned	30,123,000	44,540,000
Loans on U. S. Securities	3,789,000	4,581,000
All other loans and investments	432,394,000	461,037,000
Dallas, number of banks	38	40
U. S. Securities owned	28,966,000	44,366,000
Loans on U. S. Securities	3,346,000	5,913,000
All other loans and investments	181,262,000	164,329,000
San Francisco, number of banks	42	48
U. S. Securities owned	48,371,000	82,854,000
Loans on U. S. Securities	5,380,000	7,565,000
All other loans and investments	447,645,000	520,777,000

It will be noticed that three reserve districts show a reduction of other loans and investments, to wit: Chicago, Atlanta and Dallas. The reduction in the Chicago district is large, reflecting the heavy demands that were made upon the banks of that territory last fall, and the liquidation of loans in the spring months. The increase in this class of paper in the New York district is very slight, but in holdings of Treasury certificates, large.

National Banks, One Year.

The Comptroller of the Currency reports loans and discounts of all national banks on May 10, 1918, as aggregating $9,260,000,000, an increase

of $508,000,000 over those of May 1, 1917, and deposits on May 10 as $14,385,000,000, an increase of $1,309,000,000 over those of May 1, 1917. It would be a mistake, however, to assume that loans had not been keeping pace with deposits, for the re-discounted paper held by the Federal Reserve banks on May 3, 1918, aggregated $1,170,471,000, against $119,787,000 on May 4, 1917. The difference, $1,050,684,000, represents papers passed up to the reserve banks by the member banks. The latter still have a contingent liability upon it, but it no longer appears in the figures for their loans and discounts. The condition of the reserve banks and other banks must be taken together to get a full statement of the situation. The above figures are exclusive of holdings of Government obligations.

Significance of Expansion.

It must be remembered as we read of the extraordinary growth of banking resources, that the liabilities are growing at the same rate. When a bank makes a loan the customer's obligation increases the resources, but the entry which is made to his credit creates a corresponding liability. Transactions of this character are rapidly swelling the banking totals.

In order to have a complete showing of the effects of the Government loans and taxation of the past six months upon the banking situation, it would be necessary to have the figures for the state institutions, which are not available. The expansion of bank credit does not appear very great considering the size of the transactions—indeed it is marvelously small—but in view of the vast demands which must be met in the coming year every increase is to be regarded with concern.

In saying this we are not considering the adequacy of reserves, or indicating any anxiety that the credit organization of the country is reaching the limit of what it can carry. That is not the point. The banking power of the country as organized in the Federal Reserve system can extend credit almost indefinitely, but there are certain consequences which cannot be avoided, and which we have often adverted to. This new credit is additional purchasing power, and when purchasing power increases faster than the supply of labor or goods, wages and prices inevitably rise.

It is said that more credit is necessary in order to handle the same quantity of goods, on account of the higher prices, and certainly this is true. A certain cotton mill which ordinarily has $1,000,000 worth of raw cotton on hand, now has $2,000,000 tied up in practically the same quantity. The demands created by the war are the primary influence, but the effects are aggravated because the consuming public does not give way to the war demands. The public tries to proceed with its own consumption as usual, and, contesting for the supply, bids up the price. Under these conditions, with demand exceeding any possible supply, the creation of more credit provides facilities by which the competition for labor, materials and goods may be pushed still farther. The remedy is not in helplessly following and financing this endless movement, but in setting a brake on private demands. The cat which attempts to catch her own tail does not get any nearer to it at top speed than when standing still. An expansion of credit to increase production is one thing, but an expansion of credit which enables private wants to compete with the Government is another thing, and the latter is something to beware of.

The outlook now is for large crops and high prices are assured for them. The cotton crop in sight, if sold at 25 cents per lb., more or less, will require an almost fabulous amount of credit, and there is a wheat crop of around 1,000,000,000 bushels, large yields of other products, and the prospective fall trade which high purchasing power in the farming districts always creates. Evidently the demand for money to handle the regular business of the country this fall is going to be very strong, and in addition, or, rather, ahead of all this, the demands of the Treasury will be heavier than heretofore.

Treasury Estimates and Plans.

The Secretary of the Treasury has given to the Chairman of the House Committee on Ways and Means an estimate that the sum required for disbursements in the fiscal year beginning with the present month will be $24,000,000,000, and also his opinion that not less than one-third of this amount should be raised by taxation. The suggestions which he has offered relative to additional taxes were well considered and have met with little criticism. He proposed (1) a real war profits tax, i. e., a tax upon profits in excess of those received in normal times to be super-imposed upon the existing taxes, (2) an increase of the taxes upon unearned incomes, and (3) heavy taxation upon luxuries.

He refers to the unjust discrimination against earned incomes imposed by the present 8 per cent. occupation tax, which, together with the normal tax of 4 per cent. amounts to a levy of 12 per cent. on earned incomes in excess of $6,000, and recommends a new tax on unearned incomes which would raise the total on these to above 12 per cent.

Referring to the necessity for heavier taxes than at present levied, he emphasizes the purpose served by taxation in enforcing economy, using the following language:

> **I doubt seriously if the Government can be financed with only $4,000,000,000 derived from taxation, because, with a tax bill no larger than this, sufficient economies will not be enforced upon the people of America, and without such economies I see no way in which the great financial operations of the Government can be safely conducted.**

This statement is far-reaching in its significance, going to the very core of the Government's problem of equipping its armies. Over and over again it must be repeated that this can only be done by drastic economies, which will radically curtail the private demands of our people for labor and all the goods and supplies which require labor in their production. It is not merely a question of raising money, or primarily that. It is a question of how far we are willing to surrender the shops, the coal mines, the railways and the labor supply to work for the Government, and forego our usual demands for the services and goods to this end. We say we are willing to make sacrifices and doubtless think so, but in many instances those sacrifices consist in higher payments for what we want. The average man's idea of the present situation seems to be that he must have higher pay for his own services in order that he may buy as much as before and have enough over for the Red Cross and other war expenses.

The economy which helps now is that which reduces the private consumption of all those essential things wanted for the equipment of the armies and for the support of our allies. The thought expressed by Secretary McAdoo is that this will not be obtained except by taxation which reduces the purchasing power of the people. Are the people ready to accept this as applied to the things of common consumption, and will Congress accept it with that application? It will be well of course to come down heavily upon the luxuries of the rich, but there will be no large gains from that source either in revenues or savings from consumption, because the luxurious rich are not sufficiently numerous. If the results are to be important there must be economies by the great body of comfortably-off people, and not alone in luxuries but in necessities. It is quite as important to eke out the supply of necessities as to save elsewhere.

Loans of $16,000,000,000.

If Treasury disbursements reach $24,000,000,000, and taxation provides $8,000,000,000, there will remain $16,000,000,000 to be raised during the year by loans. It goes without saying that with taxation which cuts deeply into profits there will be less money available for loans in some quarters where the subscriptions have been large heretofore. This does not prove that the policy of heavier taxation is unwise, but it does make the task of also raising $16,000,000,000 in loans look more formidable. There is only one comment to be made upon the proposition, which is that the industries of the country will have to be far more productive this year than they were last, or much more completely concentrated upon war work, in order to do $24,000,000,000 worth of work for the Government. If they are more productive, the earnings of the people will be larger and they can buy more bonds and stamps; and if there is greater concentration upon war work, there will be less products for private consumption, the people will be necessarily practicing economy and will have more money to lend to the Government.

In the month of May Treasury disbursements were $1,508,195,232, and for the month of June they have been at about the same rate. The activities of the Government are constantly extending, and it is probable that the expenditures will increase. If the Government is getting ships, guns, aeroplanes and munitions to correspond with increased outlays the country should welcome the increase, but if expenditures are increasing because costs are rising in an endless chain, and because the public is spending, consuming and borrowing where it ought to be economizing, saving and paying out of income, the country should take notice and mend its ways.

The resources of the country must be thoroughly organized and matched against its needs. The great agricultural crops which will make such a huge demand for credit in the fall, will be in part transferred to the workers in the industries in payment for their services, and in part to our allies abroad in exchange for their promises to pay, but the farmers at present prices probably can take a large part of their pay in Liberty bonds. The wage earners in the shipyards and elsewhere are expected to do likewise. The greater the receipts of every group the more they will be able to do for the Government's support, and from present indications the earnings of 1918 will far surpass any other year in the country's history. They will also be more widely distributed than ever before, and this makes more difficult the task of gathering them up for the Treasury.

Temporary Financing.

The Secretary of the Treasury will continue the practice, which has proven so satisfactory, of anticipating forthcoming loans and tax-collections by issues of short-time certificates of indebtedness. He announces his intention of offering every two weeks $750,000,000 of certificates drawing 4½ per cent. interest, the first block to be dated July 2. He asks the banks of the country to arrange to invest an amount equal to 2½ per cent. of their gross resources in each offering for a period of eight weeks, which will provide in the aggregate $6,000,000,000. It is apparent that no other method of disposing of issues of this size would be successful than by thus indicating what it is necessary for each institution to do. The first issue will mature October 24, 1918.

The Secretary also announces that he will in a few weeks offer an issue of certificates of

suitable maturities which will be receivable for taxes due next year. The extent to which these are disposed of may affect his $750,000,000 bi-weekly offering.

War Finance Corporation.

The War Finance Corporation is organized and ready to do business, but a serious difficulty has been encountered in dealing with the class of cases for which it seems to have been chiefly designed, which consists of corporations in need of capital either for refunding or expansion purposes. It had been assumed that bankers would provide the capital wanted in such instances, and then recoup themselves by borrowing upon their own notes through the War Finance Corporation, which, above its own capital of $500,000,000, would obtain credit at the Federal Reserve banks. But it develops, as might have been foreseen, that bankers are unwilling to expand their liabilities in this manner. Commercial bankers would be outside their proper field of operations in lending their credit for the purpose of providing fixed capital, and investment bankers would find the policy equally impracticable. Their business is not to carry investments, but to distribute them, and they need to have their capital in hand.

The fact is that loans of the character contemplated do not belong in commercial banks or in the reserve banks, and it was a mistake to plan for handling of them through this channel. They should go to the investment market, and if they cannot stand alone there have such help as may be necessary from the War Finance Corporation or the Government. It is true that the Government does not like to divide the public market at this time with other applicants for capital, and should not do so except as the services of other applicants are of public importance; but if their services are indispensable and their needs imperative, there is no escape from it, and it is useless to camouflage the situation by throwing them upon the reserve banks. The largest of these demands are for refunding purposes, and these do not reduce the supply of capital on the market. Now that the Government, through its control not only of flotations but of the industries, virtually has control over the capital reservoir, it loses practically nothing by allowing refunding offerings to go to the public, and their success is mainly a question of terms.

Presumably the public utility companies can handle themselves by meeting market conditions, if their credit is supported by fair treatment on the part of the communities in which they are located. It is perfectly evident that the public utilities are in a hard situation, with their income restricted by fixed rates of compensation and their expenses increasing under war conditions. The situation is so plain that the public should not hesitate to meet it. Since the Federal Government has become responsible for railroad earnings it has been prompt to recognize the necessities, and to safeguard itself with a liberal margin to spare. The example should be adopted by municipalities to the extent of allowing a fair readjustment of earnings to expenditures. If, beyond doing this, something more is necessary in some instances, the capital and credit of the War Finance Corporation may be properly used.

The Bond Market.

New bond issues during the month of June have been in larger amount than for some time past and the prices paid by corporations are an indication of the trend of money rates and future market conditions. The first long-term railroad financing is represented in the successful sale of $20,000,000 Union Pacific Railroad Company Ten-Year 6% Secured Gold Bonds at 98 and interest, to yield a little over 6.25%. The Baltimore & Ohio has disposed of $10,500,000 Three-Months 6% notes at approximately par and interest. It is believed that the approval of these issues by the railroad administration will lead to the flotation of other issues of similar character.

Another important offering during the month was $60,000,000 Armour & Company 6% Convertible Gold Debentures maturing 1919-1924, at prices ranging from a 6¾% to a 7⅛% basis. The original underwriting was offered by Chicago bankers, and it is reported that dealers in practically every large city in the country participated.

The action of the War Finance Corporation in relation to the payment of $57,735,000 Brooklyn Rapid Transit 6% Notes maturing July 1, 1918, may be taken as an indication of its policy regarding public utilities. The corporation will advance 30% of the amount of the issue and the remainder will be refunded by an issue of three-year 7% notes. During the month, pending the final decision, the market on the notes was subject to considerable fluctuation, the closing quotation being 96½.

Dealers throughout the country report an excellent private investor business during the month, and many of the houses state that while their volume of business has not been up to normal the number of transactions indicates a widespread interest among small buyers.

Following are the more important issues offered:

$ 1,000,000	Atlas Crucible Steel Co. 7% Notes, due May 1, 1919-1923 at prices to yield from 7⅛ to 8%.
2,676,000	Detroit Edison Co. First & Refunding 5% Bonds, due July 1, 1940 at 91 and interest, yielding about 5.70%.
10,500,000	Louisville Gas & Electric Co. First & Refunding 7% Bonds, due June 1, 1923 at 98 and interest, yielding about 7½%.
3,000,000	Mid-Co. Petroleum Co. First Mortgage 7% Bonds, due Nov. 15, 1918-1921 at prices at yield from 8% to 8¾%.
3,420,000	New York, New Haven & Hartford 6% Equipment Trust Certificates due No. 15, 1918-1928 on a 6% basis.
12,250,000	Puget Sound Traction, Light & Power Co. 7% Notes, due June 1, 1921, at 98 and interest, yielding about 7¾%.
1,000,000	San Joaquin Light & Power Corporation First & Refunding Mortgage 6% Bonds, Series C, due August 1, 1950 at 95 and interest, yielding 6.40%.

1,260,000 Utica Gas & Electric Company Refunding & Extension Mortgage 5% Bonds, due July 1, 1957, at 89½ and interest, yielding about 5.67%.
1,500,000 Philadelphia Electric Co. First Mortgage 5% Bonds due Oct. 1, 1966 at 93 and interest, yielding about 5.52%.

The municipal market has been very strong and active with a tendency toward higher prices on account of the prospect of increased taxes. There were many interesting sales of municipals, the largest being $5,500,000 City of Philadelphia 4½% Bonds, which were offered at 103½ and interest, yielding 4.30%. The City of Newark, N. J., sold $1,073,000 5% Water and Street Opening Bonds maturing 1919-1958 on a basis to yield 4.62%. They were immediately re-offered at prices to yield 4.55%.

Other offerings included:

$ 305,000 Albany, N. Y. 4¾% Street Improvement Bonds on a 4.45% basis.
470,000 Boonton, N. J. 5½% Bonds on a 4.65% basis.
5,000,000 Boston, Mass. Tax Anticipation Notes on a 4.40% basis.
1,470,000 Buffalo, N. Y. 4¼% Reg. Bonds on a 4.45% basis.
717,000 Galveston, Texas 5% Bonds on a 5% basis.
850,000 Hagerstown, Md. 5% Water Bonds on a 4.75% to a 4.80% basis.
300,000 Milwaukee, Wis. 5% Serial Bonds on a 4.60% basis.
500,000 Rochester, N. Y. 4.69% Four Months Notes on a 4.50% basis.
200,000 Salem, Mass. Discount Notes on a 4.75% basis.
150,000 Schenectady, N. Y. Certificates of Indebtedness on a 4.70% basis.
500,000 State of New Hampshire 5% Bonds on a 4.15% basis.
445,000 St. Paul, Minn. 4¼% and 5% Refunding Bonds on a 4.60% basis.
600,000 Springfield, Mass. Four Months Notes on a 4.45% basis.
522,000 Syracuse, N. Y. 5% Bonds on a 4.50% basis.
195,000 Westfield, N. J. 5% School Bonds on a 4.65% basis.
300,000 Woonsocket, R. I. Tax Anticipation Notes on a 4.60% basis.
400,000 Yonkers, N. Y. Tax Anticipation Notes on a 4.50% basis.

The average price of 40 standard issues, as reported by the *Wall Street Journal* on June 28, was 83.36, compared with 84.48 on May 28 and 90.19 on June 28, 1917.

Stock Flotations in the Middle West.

The Liberty loans and subscriptions to the Red Cross, Y. M. C. A., Knights of Columbus and other relief funds, have by no means drained the country districts of ready money. Reports from the Middle West say that never before has there been so much activity in the promotion of new companies of various kinds. The stock sales are largest in the small towns and to farmers. The situation has been deemed of such importance as to justify a statement by the Des Moines Chamber of Commerce as follows:

The Des Moines Chamber of Commerce submits to the State Council of Defense the thought that there must be some halt called in the promotion of apparently superfluous corporations in Iowa during the war; else the volume of available capital necessary to assist in winning the war will not be sufficient.

Companies are being capitalized and their stock floated at enormous figures at this time. Such capital not infrequently amounts to more than one million dollars, and in many cases as high as two million dollars per company.

This undoubtedly is a serious drain on capital in Iowa at this time, and has a tendency to reduce the fullest efficiency of Iowa capital for the legitimate purposes of the government during a time of war.

The Secretary of State for Iowa on May 25 made the following statement relative to the organization of new Iowa corporations and the granting of permits under the "blue sky law" for the sale of stock in foreign corporations:

Most of the corporations selling stock in Iowa at this time are Iowa concerns. The records of the secretary of state show that since the first of January of the present year 338 Iowa companies have incorporated under the laws of this state and are entitled to sell their stock without any special permit.

During the same period the secretary of state has granted permits to fifty-six corporations of other states that have complied with the requirements of the blue sky law. Such of these corporations as have been admitted are only about half the number that have made application for admission.

Of the 338 domestic corporations that have been formed during the period referred to, practically none has been capitalized for less than $10,000, and from that on up to $1,000,000. Seven Iowa concerns have incorporated with a capitalization of $1,000,000 or more, one was incorporated for $2,000,000 and one for $3,000,000.

The total amount of stock authorized to be sold in Iowa by corporations admitted under the blue sky law aggregates a trifle less than the aggregate amount of capital stock of the nine Iowa million dollar corporations referred to.

Other states in the Middle West are the scenes of similar operations. The high prices of products have made money plentiful, and the agricultural districts should be permanently benefited, but this may not be so if the surplus income now being received is absorbed by the flotation of new enterprises, more or less speculative.

The supervision of the Capital Issues Committee, which is now established by law over all issues of securities of over $100,000 in amount, where the proceeds are for raising new capital, will presumably put a check upon these flotations.

Conscription of Wealth.

A correspondent writing to us and taking issue with some features of the article upon the "Conscription of Wealth" in the June Bulletin, says:

"This tax on capital could, of course, be paid with the debentures themselves, and it would not be a very difficult banking proposition to arrange for such mobilization of them as would permit of their acquisition by the tax payer not in possession of any, and at the same time extend to such tax payer some sort of banking credit on his other assets which would enable him to purchase debentures.

"Cannot the whole matter be reduced to a very simple illustration? Assume that ten men worth $10,000 each constitute a community. Ten per cent. of the wealth of each consists of debentures issued, let us say, to purchase a vessel which has been lost. A capital tax of 10 per cent. would retire the said debentures and leave each man with exactly the same amount of real capital that he had before. Now consider the United States as a single community, and does not the above illustration multiplied by thousands, and of course almost infinitely complicated, still substantially hold true?"

Over against this we have the following from the letter of another correspondent, approving of our view:

"The public does not understand that a small estate, like mine for example, is not in cash, but is invested in things that have no market value that at all represents their cost to me. Any private estate represents a series of investments, many of which are lost, some of which have grown in value.

"On the whole, and as a rule, the appraisement of an estate comes no where near the sacrifices and savings of a life time.

"Cannot you point out that if the Government is going to conscript assets it ought to take my estate, for example, put an appraisement on everything I have, and let me pay my taxes by turning over to the Government one piece of property after another at my option. If this was done the benefit to the Government would be very small. It would get lands which are used for farms today with the idea of having prospective value some day, stocks of great promise and no returns, petty interests in manufacturing and public service corporations, etc.

"The alternative is that the Government should demand a certain amount of money from me, and to realize this I should simply have to go to the Banks and borrow it until such time as I could release securities by unloading them on someone else at a minimum loss."

If the actual situation corresponded to the illustration of the first quotation the disposition

of the debt would be a simple matter, and it would be of little importance whether the debt was paid or not. But the second quotation suggests wherein that illustration is wide of the truth. The debt is not held by all property-owners in like proportions, and, furthermore, all property-owners are not equally able to raise a given percentage of their property values in cash at a given time. The first writer is very much in error in assuming that it would be no difficult task to make banking arrangements by which all property-owners could acquire a due proportion of bonds. He is apparently misled by the liberal facilities now granted to encourage subscriptions to the Liberty bonds, but borrowing to buy bonds to be surrendered for cancellation would be a different proposition.

How would it be managed by the large number of property-owners whose assets are already pledged for indebtedness, and how would such capital levies affect the credit of this class and their ability to take care of present obligations? As taxes constitute a claim ahead of mortgages, the holders of the latter would be alarmed and want payment or curtailment.

We would repeat our statement that if the Government should attempt to levy taxes in excess of incomes, the owners would be obliged to either borrow or sell, and this pressure upon a great number of people would create chaotic conditions, affecting not only the property-owners directly involved, but the entire business and financial situation, including industry and employment. The proposition assumes that anyone who is in debt can pay his debts immediately as well as at some other time, which most people who have been in debt know to be untrue. Even if it be allowed that the people who have property should carry and pay all of the debt—which is an extreme proposition if the acquisition of property is something to be encouraged—it should be done in a manner which will not cause a large proportion of them to sacrifice their holdings or throw the whole business community into confusion. The community has nothing to gain by dispossessing people of their property, or by policies which harrass and cripple them in its management.

Private and Public Wealth.

The discussion of questions of this character is made difficult because so many people fail to comprehend that property in private hands engaged in producing things for the public market is to all practical purposes public wealth. It is employed in serving the public, and if taken over by the Government could only be used in the same manner. The wealth of a country consists of the wealth of its people and the supplies of goods for daily consumption would be no greater—and probably much less—if all productive property was taken over by the Government. It is only necessary to look at Russia to see this statement illustrated.

Large business concerns operating branches find it advantageous that the managers in charge shall have an interest in the business they are conducting, and in like manner the owners of productive property serve the community as business managers. The aggregate wealth of the country is greater, and the production of the consumable things which minister to the comfort of the people is greater, because the productive properties are in the hands of a multitude of private owners, than would be the case if the state owned everything. A direct incentive is stimulating the wits and energies of every ambitious individual, and society as a whole derives benefits from every individual's success. Each person who accumulates a dollar's worth of wealth, or discovers a new industrial process, makes a contribution to the public. Society is not only the residuary legatee but an immediate partner in every individual's achievements.

Mayo Brothers, the famous surgeons of Rochester, Minnesota, have recently announced their purpose to turn their institution, including assets valued at $1,600,000, over to the University of Minnesota, as a free gift to the State. This is admirable, but will the institution render any other or greater service to the public under the management of the University than it has been rendering under private ownership? The University management will take up the work where the Mayos leave off. The latter have put their lives into the service of the public. They have had their living from it, but all else has gone back into the work of enlarging the institution to care for the increasing applications by the public for its services. The institution could not have been built up to its present proportions without the earnings it has made. If the State had owned it from the beginning the same amount of money would have had to be found either by taxation or direct charges for services rendered. And the value of freedom for individual initiative is seen in the development of this great institution in a small country town.

An Industrial Enterprise.

The history of industrial enterprises is like this. They develop by means of the earnings they make. The corporation of Armour & Co., the stock of which has been closely owned in the past, is just now being opened up to the public by the sale of $60,000,000 of debenture bonds which are convertible into preferred stock. The profits of the beef packers aggregate large sums, as the result of a rapid turnover and very large aggregate sales, but the percentage of profits upon sales is very small, as many who have failed in the business can testify. With Armour & Co. in 1917 the average profit upon food products was 2.21 per cent., which means that upon each $1.00 of sales 97.79 cents was disbursed either to farmers or for operating costs, and 2.21 remained to Armour as compensation for capital, credit and management.

But this profit of 2.21 per cent. was not withdrawn from the business. For many years no dividends were paid on Armour & Co. stock, the earnings being kept in the business for its development. Last year the dividends were less than two per cent. on the capital actually employed, and in the last three years with aggregate profits of $52,000,000, $46,000,000 has been turned back into the business, and now the management is borrowing $60,000,000 and inviting the public to become permanently interested to that extent. These figures show the growth of the capital employed, and the public necessity that capital shall be provided by somebody. If the Government had owned the Armour business and conducted it with equal skill and economy it would have had to provide the same amount of capital either by taxation or as Armour has raised it, by charges for the service rendered. The earnings withdrawn from Armour & Co. have borne an insignificant relation to the volume of business handled or the capital employed, and if those withdrawn could be traced it would probably be found that to a great extent they were productively used elsewhere.

Railway Investments.

The railway situation may be analyzed in like manner. The Government has taken over the railways for the period of the war and one year and nine months after, agreeing to pay as compensation for the properties a standard return which is to be the average of the net earnings for the three years ended June 30, 1917. The aggregate return to all the companies on this basis will be approximately $945,000,000 per year, and the Government Railroad Administration, to begin with, has approved a budget for improvements and equipment of $938,000,000, and these expenditures are to meet immediate needs with practically no provision for extensions.

The standard return, $945,000,000, is the amount which the officials of the companies have understood they were to have in lieu of operating revenues, and out of it they must meet all corporate obligations other than those directly chargeable to operations. Interest on the funded debt is the chief of these, and the aggregate is estimated at approximately $500,000,000, which would leave about $445,000,000 for dividends and reserves. The largest distribution of dividends ever made in one year, eliminating intercompany duplications, was not over $275,000,000. The gross earnings for the calendar year 1917 were approximately $4,000,000,000.

Railway officials and owners of railway securities and stocks are now disturbed over the position taken by the Administration in claiming the right to draw on the fixed compensation for funds to make improvements, a policy which if carried to extremes might leave nothing for dividends. It is no doubt a fact that a sum in excess of the entire net earnings of the railways ought to be invested every year for their development, in order to keep their facilities up to the growing needs of the country. It is probable that a considerable share of the disbursements for interest and dividends on railway securities has been re-invested in such securities, but where earnings permit security-holders ought to have the privilege of receiving such income and disposing of it as suits their individual convenience and choice.

It is not our purpose here to deal with the merits of the present issue between the Companies and the Administration, but to point out the great amount of new capital which must be continually found for the railways and the comparatively small part of the earnings which are distributed to the owners. Now that the Government operates them the situation is not materially different from what it was before, and if it should buy out the present owners the same necessity for surplus earnings would exist, unless the roads were to be supported and developed by taxation. And industries supported by taxation must be supported at the expense of other industries. A surplus above current consumption must be gained somewhere.

The recent advance of approximately 25 per cent. in all charges, following an advance of 15 per cent. in freight rates for the eastern roads last year, is timely evidence that services rendered by Governments are not free, but have to be paid for like services rendered by individuals and corporations, and that the question whether it is better to have the roads operated by the Government or by private parties is one of practical efficiency.

The Same Throughout Industry.

Similar illustrations may be given indefinitely. The great bulk of private profits are turned back into industry to finance increased production or service. There could be no experiments or development, no addition to equipment or substitution of machine-power for hand labor, without surplus earnings, and it is by such means that the hard tasks of labor are lightened and the supply of comforts increased. The public is interested in profits that are applied to such purposes; indeed, it holds the chief interest in them, in the sense that the railroads are worth vastly more to the public than to their owners.

It is an incontrovertible fact, susceptible of proof by a million illustrations, that profits returned to industry to increase production are devoted to a public use; it is only as they are withdrawn to minister to the personal wants of the owner that they lose this public character. If the inheritor of a fortune invested in a productive industry, should earn his own living by personal efforts throughout his life-time and allow the gains of his inheritance

to accumulate as effective capital in industry, his fortune would be as fully devoted to the public during that time as though it was the property of the State. If the reader doubts this let him conceive that the fortune was in land and that all of the income was used for underdraining and otherwise improving the land, providing buildings for the care of live stock and equipment for cultivation, with the result that year by year a steadily increasing amount of foodstuffs were sent to the public market.

That portion of the profits of Mr. Henry Ford's automobile business which he has invested in the development and manufacture of a farm tractor is not devoted to Mr. Ford's private wants; nor is that portion which he is investing in furnaces for making steel; nor that portion invested in workingmen's houses. If Mr. Ford has exceptional talent for the direction of large productive enterprises the public has no reason to regret that he has an income of $50,000,000 with which to enlarge his operations. If that income comes to him because he has a genius for industrial management, the results to the public are probably larger than they would be if the $50,000,000 were arbitrarily distributed at 50 cents per head to all of the population of this country. And Mr. Ford serves to again illustrate the value of free play for individual initiative, for it is not likely that he would have been originally selected to have charge of a Government automobile factory. He is a leader who has reached his position by a process of elimination; a survivor from a field of competitors.

Real Socialism.

We presented these views some months ago, and the leading journal of the Socialist party in this country commented as follows:

> **This statement is simply not true. There is no grievance against a John D. Rockefeller for wasting substance in extravagance, but, although he is highly economical and invests all he can, he is not generally loved by the masses. Even though he gives millions to universities and hospitals and other charities, it doesn't seem to raise him in the popular esteem. And we never heard of anybody commiserating him for dining on crackers and a bowl of milk, or attributing it to him as a virtue, either. For some obscure reason, the virtue of the capitalist in 'saving and investing productively' does not endear him to the masses.**

If the public benefits of private savings and enterprise are not generally appreciated, perhaps it is because the idea is as novel to many people as it appears to be to the leading light of the Socialist party. And yet this idea of the community value of all productive effort is of the very essence of scientific socialism.

The truth that underneath all of the conflicting interests and competitive strife there is a substantial unity in society, has lessons for all classes. All parties are benefited by increasing the production of those things which are necessary to the common sustenance and welfare, for the supply of these is a common store. We have this brought home to us daily by appeals to save wheat, save meat, save coal, save wool, save transportation space, etc., etc., for the common good. What we abstain from using is available for others; and so if we are able to increase the supply, more is available for all. If the product is serviceable to the public, then the machinery, the investment, the capital and the organization which increase the product are serviceable to the public, and it is a fundamental mistake to discuss private capital as though it was serviceable only to the persons in whom the titles of ownership rest.

Moreover, every member of the community is interested in increasing the efficiency and purchasing power of every other member. This means that aside from altruistic and humanitarian motives there is a common interest and gain in developing the potential capabilities of each individual. The old individualistic attitude toward the shiftless or incompetent man, that his poverty was his own fault and hence a matter of no concern to others, gives way to an understanding of community interests. The entire community, as well as the individuals directly concerned, suffers by a state of unemployment, and by having any portion of its working force ignorant, untrained or unfitted by reason of improper living conditions, for doing effective work.

Lessons of The War.

The war has taught these economic lessons very clearly. It has revealed unsuspected resources in all the countries; not of hidden wealth but of productive capabilities. It is said that the slums of London have disappeared; that with the insistent appeal for labor, enlistments and conscription, the idlers and even the vicious have been swept into useful employment. With millions of the most effective workers in the armies, unheard of sums are raised for war purposes, the war industries are expanded upon an enormous scale, and yet in England and France the population is cared for on the whole as well as in normal times. The conclusion is irresistible that if the same energy and spirit can be continued after peace is restored, and devoted to construction and production, the entire level of living conditions can be raised above that of the past. The lesson is not that more can be had for the poor by exploiting the rich, but that vastly more wealth can be produced by harmonious and fully employed industry than has been realized in the past.

It is apparent that an intelligent citizenship, quick to appreciate its responsibilities, willing to make sacrifices for the common good and capable of a high degree of organization, makes for the power and security of the nation. The mechanic in a shipyard who comprehends the relation of his work at this time to the nation's task, and gives full time and ungrudging effort, is a more valuable citizen than one who takes a day off each week because his wages are good enough to permit it, or who limits his day's work

on the theory that he is doing enough for his employer. And so the farmer who produces good crops is a more useful citizen than the farmer who produces poor crops, and the person who avoids waste and extravagance is a better citizen than one who spends freely in personal indulgence, possibly in the belief that he is liberal and benevolent in doing so.

The principle is the same in time of peace as in time of war, and if people will respond to the common interest in time of war by working faithfully and zealously at whatever they have to do, why should they not do so after the war, when they understand that the level of living conditions for the entire community may be raised thereby? A new interest is given to every individual's work when it is seen to be related to the common welfare, and a new interest attaches to thrift and economy, capital accumulations and the growth of great industry when the general results are understood. The war, by its unusual demands, has laid bare these relationships, and the result should be on the one hand a keener interest on the part of the community in developing the capacity and usefulness of every individual, and on the other hand a reciprocal interest on the part of each individual in doing his part in the great organized scheme of industry.

STATEMENT OF RESOURCES AND LIABILITIES OF EACH OF THE TWELVE FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS JUNE 28, 1918.

(In Thousands of Dollars)

RESOURCES	Boston	N. Y.	Phila.	Clev'd	Rich'd	Atlanta	Chicago	St. Louis	M'npl's	Kas.City	Dallas	S.Fr'sco	Total
Gold coin and certificates in vault	3,089	300,170	158	22,782	6,490	6,765	27,489	1,742	8,463	70	6,007	36,682	419,907
Gold Settlement Fund	61,062	222,645	46,892	46,549	16,382	19,207	7,969	22,452	8,125	27,486	8,730	3,926	491,425
Gold with foreign agencies	1,132	5,579	1,132	1,455	570	485	2,263	647	647	910	566	889	16,275
Total gold held by banks	65,283	528,394	48,182	70,786	23,442	26,457	37,721	24,841	17,235	28,466	15,303	41,497	927,607
Gold with Federal Reserve Agents	62.348	265,795	93,053	116,916	32,287	33,202	182,279	39,004	26,012	33,679	14.045	89,250	987,870
Gold Redemption Fund	2,453	15,000	3.500	1,091	236	2 597	2,932	1,654	1,644	969	1,252	216	33,544
Total gold reserves	130,084	809,189	144,735	188,793	55,965	62,256	222,932	65,499	44,891	63,114	30,600	130,963	1,949,021
Legal tender notes, Silver, etc.	2,828	43.934	552	352	498	746	4.433	1.011	86	333	1,996	409	57,178
Total Reserves	132,912	853,123	145,287	189,145	56.463	63,002	227,365	66,510	44,977	63,447	32.596	131,372	2,006,199
Bills discounted, Members	51,173	259,265	60,217	56,178	53,904	28,245	126,000	64,241	44,550	56,396	27,166	41,840	869,175
Bills bought in open mark't	21,638	115,813	18,104	13,980	2.946	4,131	18,414	3,121	795	250	1,650	16,006	216,848
Total bills on hand	72,811	375,078	78,321	70,158	56,850	32,376	144,414	67,362	45,345	56,646	28,816	57,846	c 1,086,023
U. S. Governm't long-term securities	616	1,517	1,747	7,404	1,233	730	7,090	2,233	1,338	8,877	3,981	3,461	40,227
U. S. Governm't short-term securities	1,416	197,995	1,643	2,929	1,513	1,171	2,962	511	3,959	1,742	1,465	1,533	218,839
All other earning assets						11			4		8		23
Total Earning Assets	74,843	574,590	81,711	80,491	59,596	34,288	154,466	70,106	50,646	67,265	34,270	62,840	1,345,112
Due fr. other F. R. Bks. net		14.334	6,166	4,415			1,136		340	2,513		2,860	(b) 10,632
Uncollected Items	27.634	103,687	44,808	47,121	36.355	32,081	107.169	34,013	8,000	40,993	23,873	24,985	530,719
Total deduction from gross deposits	27,634	118,021	50,974	51,536	36,355	32,081	108,305	34,013	8,340	43,506	23,873	27,845	520,087
5% redemption fund against F. R. bank notes						14	100			400	137	84	735
All other resources													
TOTAL RESOURCES	235.389	1,545.734	277.972	321,172	152.414	129.385	490.236	170,629	103,963	174,618	90,876	222,141	3,872,133
LIABILITIES													
Capital Paid in	6,474	19,846	6,939	8,561	3,824	3,045	9,789	3,607	2,802	3,532	2,991	4,448	75,858
Surplus	75	649			116	40	216		38				1,134
Government Deposits	3,832	21,736	1,392	10,278	6,349	7,094	6,249	5,089	2,416	4,006	6,201	9,893	84,535
Due to members—reserve account	82,724	767,013	86.805	110.886	41.868	35,772	177,921	48,180	36,998	65,723	36,214	67,483	1,557,587
Collection Items	20.411	53,191	35,269	27,206	22.049	25,239	35,778	23.630	5,857	17,870	7,878	11,924	286,302
Due to other F. R. Bk's net	9,048				3,254	1,947		23,530			4,617		
Other deposits incld'g For. Government credits		114,025		250		12	4,351	225	41			2.578	121,482
Total Gross Deposits	116,015	955,965	123,466	148,620	73,520	70,064	224,299	100,654	45,312	87,599	54,910	91,878	2,049,906
F. R. Notes in actual circulation	112,533	562,848	147,430	162,918	74.525	56,139	252,639	65,662	55,213	74,396	32,626	125,287	a 1,722,216
F. R. Bank Notes in circulation, net liability						50	2.000			8.000		340	10,390
All other Liabilities	292	6.426	137	1,073	429	47	1.293	706	598	1,091	349	188	12,629
TOTAL LIABILITIES	235,389	1,545,734	277,972	321,172	152,414	129,385	490,236	170,629	103,963	174,618	90,876	222,141	3,872,133

(a) Total Reserve notes in circulation, 1,722,216.
(b) Difference between net amounts due from and net amounts due to other Federal Reserve Banks, 10,632: Ratio of gold reserves to net deposit and Federal Reserve note liabilities combined 59.9%. Ratio of total reserves to net deposit and Federal Reserve note liabilities combined 61.7%.
(c) Bills discounted and bought; U. S. Government short term securities; municipal warrants, etc.: 1—15 days 749,120; 16—30 days 137,892; 31—60 days 256,050; 61—90 days 102,192; over 90 days 59,619. Total 1,304,872.